INTERNATIONAL PROCUREMENT AND LOGISTICS LIMITED

Reports & Financial Statements

28 December 2018

Registered No. 5104448

REGISTERED NO. 5104448
COMPANY INFORMATION

DIRECTORS
J Fallon
M Snell
J Fasey
V Rehal (appointed 28 August 2018)
M Hilliard (appointed 29 August 2018)
A Moore (resigned 31 December 2017)
C Hobdey (resigned 31 July 2018)
J Lorente Lopez (resigned 27 July 2018)
J Tremayne (resigned 29 June 2018)
A Simpson (resigned 04 February 2019)

SECRETARY
V Rehal

AUDITORS
Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
West Yorkshire
LS11 5QR

REGISTERED OFFICE
ASDA House
Southbank
Great Wilson Street
Leeds
West Yorkshire
LS11 5AD
United Kingdom

BANKERS
Barclays Bank PLC
10 Hall Place
Spalding
Lincolnshire
PE11 1SR

REGISTERED NO. 5104448
STRATEGIC REPORT

The directors present their strategic report for the 52 week period ending 28 December 2018.

Principal activities of the Business

The principal activity of International Procurement and Logistics Limited (hereafter referred to as "IPL" or "the Company") is the sourcing of fresh produce, grocery products, wine, house plants and flowers for ASDA Stores Limited (hereafter referred to as "ASDA").

Future strategic intention

The Company's purpose is to provide ASDA with the lowest cost, best quality, sustainable sourcing and supply chain solution. This supports ASDA's delivery of a "low cost operating model". The Company measures its performance against a balanced set of key performance indicators to ensure it is meeting this purpose.

Company profit and dividends

The profit after taxation for the period was £15,470,000 (2017: £18,158,000). The directors are satisfied with the results and achievements in the period to 28 December 2018 and believe that the future prospects of the Company are sound and consider that the business is adequately financed.

No dividends were paid during the period (2017: £nil).

Capital management

As a wholly owned subsidiary, the capital of IPL is monitored in accordance with the overall capital management policy of the ultimate parent company Walmart Inc. and the primary objective of IPL's capital management policy is to be consistent with the requirements of the ultimate parent.

The consolidated financial statements of the ultimate parent company disclose how Walmart Inc. define and manage capital and meet the Group capital objectives.

Engagement with colleagues

Regular meetings are held between local management and colleagues to allow a free flow of information and ideas. Details of the number of employees and related costs can be found in note 4 to the financial statements.

Payment of suppliers

The Company deals with over 2200 separate suppliers based in the UK and overseas, for the provision of both goods for resale and goods not for resale. The Company has established trading terms which are appropriate to the particular relationship and product supplied. Whenever an order is placed, parties are aware of the payment terms and it is the Company's policy to abide by these terms when invoices have been received and approved.

Events since balance sheet date

On 30 April 2018, J Sainsbury plc and Walmart Inc. announced that they had agreed terms in relation to a Proposed Merger of J Sainsbury plc and ASDA ("the merger parties").

On 20 February 2019, the Competition and Markets Authority ("the CMA") published the preliminary findings of their inquiry into the Proposed Merger.

On 25 April 2019, the CMA published their final report into the Proposed Merger. The CMA decided to prohibit the Merger in its entirety. Although the Directors remain convinced that the Merger would have benefitted customers, ASDA have decided not to appeal the decision.

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STRATEGIC REPORT (continued)

Principal risks and uncertainties

Risk is an inevitable part of the business. On an ongoing basis the IPL Board review the principal risks, assess their likelihood and consequence, and develop and monitor appropriate controls. The Board has overall responsibility for risk management and ensures this is aligned with the business strategy and objectives. Key risks and mitigating actions are set out below:

- **Strategic risk**
  We continue to invest in new opportunities and areas of growth in order to diversify our offering. The Board invests significant time in working with our parent company to formulate, review and communicate strategy effectively to those delivering it.

- **Supplier risk**
  The current economic environment is challenging for our suppliers. This puts increased importance on the strength of our control processes and ability to recognise and respond to supplier issues. We review our controls in relation to supplier monitoring and continue to invest in our control environment and training to ensure we are compliant with the Groceries Supply Code of Practice.

- **Economic risk**
  The consumer environment continues to be challenging, with discretionary income marginally decreasing during the period. Customers remain cautious in their spending habits and we expect conditions to remain tough for ASDA customers, with price being a key consideration. We will continue to drive cost efficiencies to allow ASDA to deliver a "low cost operating model".

  IPL have considered the potential economic impact of the UK's withdrawal from the European Union including the effect on price and availability of products and impact on our colleagues. A cross functional working group is in place and its main objectives is to manage the impacts to IPL of the UK's withdrawal in order to minimise disruption to our operation, and ultimately ASDA's customers.

- **Resourcing and capability risk**
  Retention of key individuals and succession planning is important for long term stability and success. We have a robust appraisal process and talent review system to ensure the right individuals are in the right roles, with a clear path to long term development. Colleague engagement is maintained through open communication, both to allow management to share information about the business and to give colleagues the opportunity to provide feedback about working for the company. Appropriate governance and control is in place around the approval of new positions, bonus payments, pay increases and other people-related changes.

- **Financial risk**
  The principal financial risk is having the funds available at the right time to meet business needs. This risk is managed by business forecasting for performance outturn and cash flow to ensure that the adequate funds are in place to meet the liabilities to suppliers and colleagues.

  Certain transactions with suppliers are denominated in foreign currency. The commercial and finance team work together to forecast the timing and level of foreign currency requirements and the ASDA Treasury function buys forward accordingly for certain product categories. Other currency requirements are purchased on the spot market. The business does not have a policy to buy forward or hold foreign currency speculatively. Currency forward contracts are hedge accounted for at a fair value.

- **Regulatory and compliance risk**
  We recognise that IPL operates in an environment where we can be impacted by changes in Government policy. In response to this, we continue to risk assess all regulatory developments and test compliance with internal processes designed to mitigate risks, making improvements where required.

Principal risks and uncertainties ***(continued)***

- **Fraud risk**
  We have a control framework in place to help prevent and detect potential fraud and dishonest activity. Our Statement of Ethics provides clear guidance to colleagues on appropriate behaviour, including guidance on how to raise any business conduct concerns they may have. Colleagues can raise issues by contacting the independent Ethics hotline, or by contacting the Ethics team directly by email or phone. In addition, stringent procedures and regular monitoring is in place in respect of compliance with the UK Bribery Act and US Foreign Corrupt Practices Act

- **System risk**
  Detailed disaster recovery plans are in place in the event of an incident which could severely affect our ability to trade.

- **Environmental risk**
  We recognise that we have a responsibility to minimise the adverse impact that our business activities may have on the environment. Failure to do so may result not only in adverse environmental impacts, but also financial penalties and long term damage to our reputation.

  In recent years we have implemented a number of initiatives and processes in recognition of our environmental responsibilities. We are working in collaboration with suppliers to reduce plastic from our packaging and move towards 100% recyclable packaging by 2025.

- **Data Protection risk**
  In the event of non-compliance with the requirements of the General Data Protection Regulations ("GDPR"), there is a risk of data loss or misuse or other data breaches which could lead to significant fines and reputational damage. In response to this, we continue to risk assess all aspects of data protection and mitigate risk accordingly.

- **Health and safety risk**
  In the event of non-compliance with applicable Health and Safety laws there is a risk that colleagues are harmed which could lead to significant fines and reputational damage. IPL has a health and safety policy as well as procedures and training in place across all sites. There are also established health and safety metrics and accident reporting to monitor the risk.

On behalf of the board:

J Fasey
Director
24 July 2019

DIRECTORS' REPORT

The directors present their report and financial statements for the period ended 28 December 2018.

Directors

The directors during the period are disclosed on page 1.

Dividends

Ordinary dividends of £nil (2017: £nil) were paid during the period.

Political and charitable contributions

During the period, cash donations to charitable organisations made by the Company totalled £1,000 (2017: £1,100). The Company did not make any political donations during the period (2017: £nil).

Going concern and future outlook

The financial statements are prepared on the going concern basis as the Company has considerable financial resources and good long term prospects. As a consequence, the directors believe that the Company is well-placed to manage any financial risks successfully and continue to operate for the foreseeable future.

Colleagues with a disability or impairment

IPL is an Equal Opportunities Employer, meaning that selection, training, development and promotion is based solely on the applicant's skills, abilities and potential. We will always seek to make reasonable adjustments during any selection process to prevent disabled candidates being at a disadvantage when compared to those who are not disabled.

If an existing colleague becomes disabled, it is our policy wherever possible, to work with the individual and our Occupational Health provider to identify any reasonable adjustments possible to ensure suitable and continuing employment.

Directors' liabilities

The Company has granted an indemnity to each of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity remains in force as at the date of approving the Directors' Report. The insurance is controlled and paid centrally by the ultimate parent company.

For a list of directors who held office during the period please refer to the beginning of these financial statements.

Directors' statement as to disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of auditors

In accordance with Section 485 of the Companies Act 2006, a resolution for the re-appointment of Ernst & Young LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

J Fasey
Director
24 July 2019

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PROCUREMENT AND LOGISTICS LIMITED

Opinion

We have audited the financial statements of International Procurement and Logistics Limited for the period ended 28 December 2018 which comprise the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Balance Sheet, and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28 December 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL PROCUREMENT AND LOGISTICS LIMITED *(continued)*

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Victoria Venning (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

25 July 2019

INCOME STATEMENT
for the period ended 28 December 2018

	Note	*Period Ended 28 December 2018 £000*	*Period Ended 29 December 2017 - Restated £000*
Revenue	2	694,400	726,212
Cost of sales	2	(653,800)	(681,125)
Gross profit		40,600	45,087
Administrative expenses		(25,637)	(27,210)
Operating profit	2	14,963	17,877
Financial income	6	192	36
Profit before taxation		15,155	17,913
Income tax credit	7	315	245
Profit for the period		15,470	18,158

The profit of £15,470,000 (Dec 2017: £18,158,000) is all attributable to continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 28 December 2018

	Note	*Period Ended 28 December 2018 £000*	*Period Ended 29 December 2017 £000*
Profit for the period		15,470	18,158
Items to be reclassified to income statement in subsequent periods			
Reclassification during the year to income statement	14	612	(1,420)
Net loss during the year of the not-yet matured contracts	14	(907)	(785)
Tax on cash flow hedges	14	18	424
Other comprehensive loss for the period		(277)	(1,781)
Total comprehensive income for the period (attributable to the shareholders)		15,193	16,377

STATEMENT OF CHANGES IN EQUITY
at 28 December 2018

	Note	*Share capital £000*	*Cash flow hedge £000*	*Retained earnings £000*	*Total equity £000*
Balance at 30 December 2016		100	1,328	87,280	88,708
Profit for the period	*14*	-	-	18,158	18,158
Other comprehensive income					
Cash flow hedges - loss arising in the period	*14*	-	(2,205)	-	(2,205)
Tax on cash flow hedges recognised directly in equity	*14*	-	424	-	424
Balance at 29 December 2017		100	(453)	105,438	105,085

	Note	*Share capital £000*	*Cash flow hedge £000*	*Retained earnings £000*	*Total equity £000*
Balance at 29 December 2017		100	(453)	105,438	105,085
Profit for the period	*14*	-	-	15,470	15,470
Other comprehensive income					
Cash flow hedges - loss arising in the period	*14*	-	(295)	-	(295)
Tax on cash flow hedges recognised directly in equity	*14*	-	18	-	18
Balance at 28 December 2018		100	(730)	120,908	120,278

BALANCE SHEET
at 28 December 2018

	Note	28 December 2018 £000	29 December 2017 £000
Assets			
Non-current assets			
Property, plant and equipment	8	25,458	22,766
Goodwill	9	9,570	9,570
Investments in subsidiaries	10	55,251	55,251
Deferred tax asset	16	56	-
		90,335	87,587
Current assets			
Inventories	11	42,280	47,840
Trade and other receivables	12	68,708	72,074
Cash and cash equivalents		57,364	53,189
		168,352	173,103
Total assets		258,687	260,690
Equity and liabilities			
Equity attributable to the owners of the parent			
Called up share capital	13	100	100
Retained earnings	14	120,908	105,438
Cash flow hedge reserve	14	(730)	(453)
Total equity		120,278	105,085
Liabilities			
Current liabilities			
Trade and other payables	15	131,863	149,860
		131,863	149,860
Non current liabilities			
Deferred tax liability	16	-	277
Provisions	17	6,546	5,468
		6,546	5,745
Total liabilities		138,409	155,605
Total equity and liabilities		258,687	260,690

The financial statements were approved by the board of directors and signed on its behalf by:

J Fasey
Director
24 July 2019

NOTES TO THE ACCOUNTS
as at 28 December 2018

1 Accounting policies

Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of International Procurement and Logistics Limited (the "Company") for the period ended 28 December 2018 were authorised for issue by the board of directors on 24 July 2019 and the balance sheet was signed on behalf of the directors by J Fasey. The Company is a private company limited by shares, incorporated and domiciled in England under the Companies Act 2006 (registration number 5104448).

These financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with historical cost convention, the Companies Act 2006 and applicable accounting standards.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest one thousand pounds (£000) except when otherwise indicated. The presentational currency is also the Company functional currency.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of ASDA Group Limited. The results of the Company are included in the consolidated financial statements of ASDA Group Limited, which are available from ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD. These financial statements are therefore separate financial statements of the Company only.

The accounting policies below have, unless otherwise stated, been applied consistently to all periods presented in these Company financial statements.

Basis of preparation

The financial statements of the Company are made up to the nearest Friday to 31 December each year. The current financial year is the 52 weeks ended 28 December 2018 ('the period'). The comparative financial year is the 52 weeks ended 29 December 2017 ('the prior period').

The financial statements are prepared on the going concern basis as the Company has considerable financial resources and good long-term prospects. As a consequence, the directors believe that the Company is well-placed to manage any financial risks successfully and continue to operate for the foreseeable future.

The accounting policies which follow have, unless otherwise stated, been applied consistently to all periods presented in these Company financial statements. The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of IFRS 7 'Financial Instruments: Disclosures';
- The requirements of paragraphs 91-99 of IFRS 13 'Fair Value Measurement';
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - Paragraph 79(a)(iv) of IAS 1;
  - Paragraph 73 of IAS 16 'Property, Plant and Equipment'; and
  - Paragraph 118 of IAS 38 'Intangible Assets'.
- The requirements of paragraphs 10(d), 10(f), 16, 38A-D, 40A-D, 111 and 134-136 of IAS 1 'Presentation of Financial Statements';
- The requirement of IAS 7 'Statement of Cash Flows'
- The requirements of paragraphs 30 and 31 of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- The requirements of paragraphs 17 and 18A of IAS 24 'Related Party Disclosures';

1 **Accounting policies** *(continued)*

Basis of preparation (continued)

- The requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135-135 of IAS 36 'Impairment of Assets'.

Where applicable, equivalent disclosures are included in the consolidated financial statements of ASDA Group Limited, in which the Company is consolidated.

Changes in accounting policy

New standards, interpretations and amendments effective
The following have been applied for the first time from 30 December 2017.

IFRS 15 - Revenue from Contracts with Customers
International Procurement and Logistics Limited has applied IFRS 15 in the period on a fully retrospective basis. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets (e.g. disposals of property, plant and equipment). The core principle of IFRS 15 is that revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Application is required for annual periods beginning on or after 1 January 2018, with earlier application permitted.

In previous periods the revenue arising from goods sold to ASDA was presented according to the nature of the service provided. Services including transport, logistics and packaging were recognised on a gross basis and included within reported revenue along with sales to third parties. The costs of goods provided to ASDA were recorded on a net basis within cost of sales.

Following the adoption of IFRS 15, all sales where IPL controls the goods before transferring to the customer are accounted for within revenue on a gross basis. The adoption of this accounting policy results in an increase to reported revenue and cost of sales in the current period and prior period as detailed in note 2. All amounts included in revenue are recorded net of discounts, VAT and other sales-related taxes

IFRS 9 - Financial Instruments: Classification and Measurement
IFRS 9 'Financial Instruments' has been applied from 30 December 2017 to replace previous requirements in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including the new expected credit loss ("ECL") model for calculating impairment of financial assets, and the new general hedge accounting requirements. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. The Company has assessed the requirements of IFRS 9 on the carrying value of financial assets, the classification of financial assets and the application of hedge accounting and has concluded that there is no material impact on the consolidated financial statements at 28 December 2018 or 29 December 2017. In respect of the ECL model for determining whether financial assets are impaired, management has conducted a review of all material intercompany and trade receivables and determined that each significant counterparty is demonstrably able to settle its liabilities to the Company on demand and in full at 28 December 2018 and 29 December 2017. Therefore the probability of default is nil and no impairment charge has been recorded at 28 December 2018 or 29 December 2017.

1 **Accounting policies** *(continued)*

New standards, interpretations and amendments not yet effective
The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the company financial statements in future:

IFRS 16 - Leases
IFRS 16 replaces existing IFRS lease requirements in IAS 17 Leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for each lease. Lessor accounting is substantially unchanged from the current standard. Application is required for annual periods beginning on or after 1 January 2019, with earlier application permitted. The Company is using a modified retrospective approach and has elected to measure lease assets at an amount based on the lease liability. The Company is applying the short term lease exemption and will recognise rental expense relating to short term leases directly to the income statement.

The Company has reviewed all leases and assessed the impact to the financial statements. The change will have a significant impact on the Company's balance sheet, specifically a material increase to assets and liabilities. It will also materially impact the presentation within the income statement as operating profit will increase and finance costs will increase. Total cash flows are unaffected by the application of IFRS 16. Details of the Company's operating lease commitments are included in note 18.

Judgements, estimates and assumptions

Management are required to make judgements, estimates and assumptions that affect the application of policies and reported assets and liabilities, income and expenses. Judgements, estimates and assumptions are continually evaluated and are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying value of assets and liabilities are discussed further below.

Judgements

Judgements are made with regard to provisions for property provisions (note 17). Judgement is applied in determining whether control exists over entities and whether they should be treated as subsidiaries (note 10). Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Supplier incentives, rebates, fixed income and discounts are collectively known as "supplier income". Accounting for the amount and timing of recognition of certain elements of supplier income may require the exercise of judgement depending on the contractual terms in place. The three key types of supplier income are explained in the accounting policy on page 15. The Company had no arrangements with judgemental elements in the current or prior periods.

Estimates and assumptions

Estimates and assumptions are made with regard to inventory net realisable values (note 11), determining appropriate useful economic lives for property, plant and equipment (note 8), finance versus operating lease classification (note 18) and the likelihood that tax assets can be realised (note 16). Actual results may differ from these estimates.

1 **Accounting policies** *(continued)*

Revenue recognition

Income from sales to group companies

Revenue represents income received for the sale of produce to ASDA Stores Limited and other Walmart companies, on both an agency net and gross basis. Sales where IPL controls the goods before transferring to the customer are accounted for within revenue on a gross basis. Revenue is measured at the fair value of the consideration received or receivable and represents commission receivable under agency agreements in respect of goods procured in the normal course of business, net of discounts, VAT and other sales-related taxes.

Income from sales to third parties

Revenue from sales external to the group is recognised gross based on the terms of the contract, net of discounts, VAT and other sales-related taxes.

Finance Income

Interest receivable comprises interest on funds invested. Interest income is recognised in the income statement as it accrues, at a constant rate on the carrying amount.

Supplier Income

Supplier incentives, rebates and discounts are recognised as a deduction from costs, as they accrue in accordance with the terms of each relevant supplier contract. All supplier income is supported by contracts. In some instances, contractual periods extend over the Company's period end. In such cases the amount of any income accrued in relation to these contracts is supported by detailed calculations or supply data.

Supplier income is split into three classifications:

- Supplier incentives and discounts – which are usually expressed in the supplier contract as an agreed amount per item sold. This type of income is specifically calculated and therefore no judgment is required in determining the amount of income to record in the financial period;
- Annual supplier rebate – these are earned and billed within the Company's financial period in the majority of cases. The rebates are linked to supply of specific products at fixed prices. No tiered arrangements are in place. Agreements may span the period end but in these cases income is recognised based on purchases in the period and explicit terms in each contract, therefore no judgement is required in determining the amount of income to record in the financial period;
- Fixed amount supplier income – where fixed monetary amounts are agreed with suppliers relating to agreed minimum volumes. Any income accrued is supported by detailed calculations and is non judgemental.

Unbilled amounts of income to which the Company is contractually entitled are included in trade and other receivables, or offset against corresponding trade payables, however these amounts are all non-judgemental, being based only on purchases in the financial period with no assumptions required. Billed amounts unpaid at period end are included in trade receivables or offset against corresponding trade payables where a contractual right of offset exists.

Taxation

Taxation comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

NOTES TO THE ACCOUNTS
as at 28 December 2018

1 **Accounting policies** *(continued)*

Taxation (continued)

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes except:

- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense in the income statement as they fall due. Since 13 October 2009, the Company has participated in the IPL Stakeholder Pension Plan, which is a defined contribution scheme.

Property, plant and equipment

All property, plant and equipment are recorded at cost less accumulated depreciation and any recognised provision for impairment.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the date of acquisition of each asset, evenly over its expected useful life, as follows:

Freehold property	- 5% per annum straight line
Short leasehold property	- over lease term
Plant and equipment	- 5% to 33% per annum straight line

Freehold land is not depreciated. All items of property, plant and equipment are reviewed for impairment in accordance with *IAS36 'Impairment of Assets'*.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised over the net identifiable assets acquired. If this consideration is lower than the fair value of the net assets, the difference is recognised in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired.

Investments

Investments in subsidiaries are held at cost. At each balance sheet date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss (if any).

1 **Accounting policies** *(continued)*

Impairment of non-financial assets

At each balance sheet date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leasing transactions

Rentals payable under operating leases, including fixed rental increases, are charged to the income statement on a straight line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Financial instruments

Financial assets and liabilities are recognised when the Company becomes party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Financial assets and liabilities

The Company classifies its financial assets and liabilities in the following categories: trade and intercompany receivables, cash and cash equivalents and trade and intercompany payables.

Management determines the classification of its instruments at initial recognition.

All financial assets and liabilities are recognised initially at fair value. The Company assesses financial assets for impairment using the expected credit losses model and recognises impairment losses as required.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and recorded at the proceeds received, net of issue costs.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Derivative financial instruments and hedging

Derivative financial instruments ("derivatives") are used to manage risks arising from changes in foreign currency exchange rate fluctuations.

1 **Accounting policies** *(continued)*

Derivative financial instruments and hedging (continued)

Derivatives are stated at their fair value. The fair value of foreign currency derivative contracts is their market value at the balance sheet date. Market values are calculated using mathematical models and are based on the duration of derivative together with quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

For those derivatives designated as hedges and for which hedge accounting is desired, the hedging relationship is formally designated and documented at its inception. This documentation identifies the risk management objective and strategy for undertaking the hedge, the nature of the risk being hedged and how effectiveness will be measured throughout its duration.

All of the company's hedges are considered to be cash flow hedges, hedging exposure to variability in cash flows that are either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

If a forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to cost of inventory as part of cost of sales within the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs and are transferred to cost of inventory as part of cost of sales within the income statement.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised in the income statement. Amounts taken to other comprehensive income are transferred to cost of inventory as part of cost of sales within the income statement when the hedged transaction affects the income statement, such as when a forecast sale or purchase occurs.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing inventories to their present location and condition. Cost is calculated using the actual method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Trade and other receivables

Trade and other receivables are stated at their original invoiced value and reduced by appropriate allowances for estimated irrecoverable amounts. Impaired debts are derecognised when they are assessed as uncollectible. Intercompany receivables are non-interest bearing, unsecured, are repayable on demand and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other payables

Trade and other payables are non-interest bearing and are stated at their nominal value.

1 **Accounting policies** *(continued)*

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in pounds sterling, which is the functional currency of the company.

In preparing the financial statements of the Company, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity

2 **Operating profit**

Operating profit is stated after charging / (crediting):

	Period Ended 28 December 2018 *£000*	*Period ended 29 December 2017 - restated* *£000*
Cost of inventory recognised as an expense	635,104	669,084
Cost of inventories written off in the period	9,225	15,026
Employment costs *(note 4)*	62,280	61,330
Depreciation of owned property, plant and equipment *(note 8)*	7,387	4,821
Operating lease expense		
- Land and buildings	3,122	2,831
- Plant & Equipment	1,296	1,621
Foreign exchange gains	(624)	(3,343)

As detailed in note 1, the Company adopted IFRS 15 on 30 December 2017 on a fully retrospective basis. This note details the new accounting policy for revenue and shows the impact of the adoption of IFRS 15 on the Company's primary financial statements. The effect of the adoption is to increase reported revenue and cost of sales for the current and prior period to the extent that goods are controlled by the Company prior to sale to ASDA.

2 Operating profit *(continued)*

	As reported, period ended 29 December 2017 £000	*Impact of IFRS 15* £000	*Period ended 29 December 2017 - restated* £000
Revenue	241,566	484,646	726,212
Cost of sales	(196,479)	(484,646)	(681,125)
Gross profit	45,087	-	45,087
Administrative expenses	(27,210)	-	(27,210)
Operating profit	17,877	-	17,877

Total profit for the period is not impacted by transition to IFRS 15

3 Auditors' remuneration

	Period Ended 28 December 2018 £000	*Period Ended 29 December 2017* £000
Fees payable to the Company's auditors for the audit of the company financial statements	41	41

4 Employment costs and numbers

	Period Ended 28 December 2018 £000	*Period ended 29 December 2017* £000
Wages and salaries	55,814	54,792
Social security costs	5,043	5,343
Other pension costs *(note 19)*	1,423	1,195
	62,280	61,330

The average number of employees in the period was as follows:

	Period Ended 28 December 2018	*Period ended 29 December 2017*
Total		
Production	1,783	1,688
Administrative	390	449
	2,173	2,137

4 Employment costs and numbers *(continued)*

	Period Ended 28 December 2018	*Period ended 29 December 2017*
Full time equivalents		
Production	1,743	1,656
Administrative	372	431
	2,115	2,087

5 Directors' Remuneration

	Period Ended 28 December 2018 £000	*Period ended 29 December 2017 £000*
Directors' emoluments	1,787	1,490
Value of Company pension contributions to defined contributions schemes	-	-
Number of directors who are members of Company pension schemes	-	-

The amounts in respect of the highest paid director are as follows:

	Period Ended 28 December 2018 £000	*Period ended 29 December 2017 £000*
Directors' emoluments	691	458
Value of Company pension contributions to defined benefit schemes	-	-
Value of Company pension contributions to defined contribution schemes	-	-

Six (2017: Five) of the directors received remuneration in relation to qualifying services provided to the Company. The directors J Llorente Lopez, J Fallon and A Simpson are paid by other companies within the ASDA Group for their overall services to the company with no recharge being made to IPL. The emoluments of these directors are disclosed in the financial statements of ASDA Group Limited.

6 Financial income

	Period Ended 28 December 2018 £000	*Period ended 29 December 2017 £000*
Interest on bank deposits	192	36

7 Income tax credit

Amounts charged/ (credited) in the income statement

	Period Ended 28 December 2018	*Period ended 29 December 2017*
	£000	*£000*
Current tax		
UK corporation tax on profit for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax charge	-	-
Deferred tax		
On profits for the period	(357)	(196)
Adjustments in respect of prior periods	7	(30)
Effect of Rate Change	35	(19)
Total deferred tax credit *(note 16)*	(315)	(245)
Total tax credit from continuing operations	(315)	(245)

Reconciliation of effective tax rate

	Period Ended 28 December 2018	*Period ended 29 December 2017*
	£000	*£000*
Profit before tax	15,155	17,913
Tax using the UK corporation tax rate of 19% (2017: 19.25%)	2,879	3,448
Effects of:		
Non-deductible expenses	121	50
Adjustments in respect of prior periods	7	(30)
Adjustments in respect of rate changes	35	(19)
Group relief	(3,357)	(3,694)
	(315)	(245)

The standard rate of corporation tax in the United Kingdom for the period is 19% (2017: 19.25%).
On 15 September 2016 the Finance Act 2016 received Royal Assent and enacted a reduction in the main rate of corporation tax to 17% with effect from 1 April 2020.
Deferred tax has been provided at the rate at which the deferred tax liability is likely to reverse.

NOTES TO THE ACCOUNTS
as at 28 December 2018

8 Property, plant and equipment

	Freehold Land & Buildings £000	*Leasehold improvements £000*	*Plant & Equipment £000*	*Total £000*
Cost				
Balance at 29 December 2017	3,740	6,958	26,774	37,472
Additions	205	3,257	7,668	11,130
Disposals	(234)	(61)	(1,759)	(2,054)
Reinstated assets*			2,680	2,680
Balance at 28 December 2018	3,711	10,154	35,363	49,228
Accumulated depreciation				
Balance at 29 December 2017	575	1,578	12,553	14,706
Depreciation charge for the period	223	2,471	4,693	7,387
Depreciation on disposals	(85)	(46)	(872)	(1,003)
Reinstated assets*			2,680	2,680
Balance at 28 December 2018	713	4,003	19,054	23,770
Net book value				
Balance at 29 December 2017	3,165	5,380	14,221	22,766
Balance at 28 December 2018	**2,998**	**6,151**	**16,309**	**25,458**

At 29 December 2018, the Company had entered into contractual commitments for the acquisition of plant and equipment amounting to £1,147,033 (2017: £921,076).

*The company performed a fixed asset verification exercise in the period ended 28 December 2018, identifying assets to the gross book value of £2,680,000 which had been written off in the previous accounting period. These assets were written back onto the fixed asset register in the current period at a nil net book value.

NOTES TO THE ACCOUNTS
as at 28 December 2018

9 Goodwill

	Goodwill
	£000
Cost and net book value	
Balance at 29 December 2017 & 28 December 2018	9,570

The brought forward goodwill relates the trade and asset purchase of Tazcopak (£88,000), Vinpack Limited (£1,976,000), Westry Produce Limited (£5,022,000) and part of the trading assets from QV Foods Limited (£2,484,000).

Impairment testing of goodwill

Goodwill has been tested for impairment as at 28 December 2018 by allocating the goodwill along with other related assets, and comparing to future expected cash flows. This represents the lowest level to which management monitors goodwill. The goodwill values of Westry and QV Foods have been combined as these are managed and monitored as one business unit by management.

The recoverable amounts are determined based on value in use calculations using cash flow projections from financial budgets approved by senior management for the following year. The pre-tax discount rate applied to the cash flow projections is 8% and the growth rate used to extrapolate the cash flows beyond the first year is 0.5%.

These assumptions used are aligned with those of the Company's parent group, ASDA Group Limited. The Company sales forecasts are intrinsically linked to ASDA performance and forecasts as a primary supplier of Potatoes (Westry / QV Foods) and Wine (Vinpack). ASDA sales and purchase growth assumptions are used as the basis for the IPL sales forecasts. The value in use calculations are therefore most sensitive to sales assumptions and discount rate. For further details of these assumptions please see the consolidated financial statements of ASDA Group Limited.

10 Investments

Subsidiary Undertakings	£000
Cost and net book value at 29 December 2017 & 28 December 2018	55,251

Name	**Place of incorporation**	**Principal activity**	**Proportion of ordinary shares held %**
International Produce Spain S.L.	Spain	The provision of logistical and management services	100%
Vinpack Limited *	England & Wales	Dormant company	100%
Westry Produce Limited *	England & Wales	Dormant company	100%
Selby Produce Limited *	England & Wales	Dormant company	100%
Forza AW Limited **	England & Wales	Investment company	100%
Forza Foods Limited **	England & Wales	Slicing and packing company	100%
Kober Limited **	England & Wales	Slicing and packing company	100%

10 Investments *(continued)*

* The registered address of these companies is ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD.

** The registered address of these companies is Unit 1, Foxbridge Way, Normanton Industrial Estate, Normanton, Wakefield, WF6 1TN.

The registered address of the Spanish entity is Registro Mercantil de Murcia, Avda Teniente Montesinos 8 Torre Z Plantas 1 y 2, 30100 Murcia.

All companies are directly owned with the exception of Forza Foods Limited which is indirectly held.

11 Inventories

	28 December 2018 *£000*	*29 December 2017* *£000*
Produce and raw materials	42,280	47,840

12 Trade and other receivables

	28 December 2018 *£000*	*29 December 2017* *£000*
Trade receivables	2,532	3,486
Amounts receivable from group undertakings	59,957	58,394
Amounts receivable from subsidiary undertaking	193	870
Prepayments and accrued income	6,026	9,324
	68,708	72,074

The directors consider that the carrying amount of trade and other receivables approximates to their fair value. Trade receivables are presented net where a legally enforceable right of set off exists. Included in the above is an offset with trade payables of £nil *(note 15)* (2017: £176,000) in relation to supplier income.

A legally enforceable right of offset exists with group balances. To better reflect the nature of intercompany liabilities, amounts owed to parent company of £5,633,000 (2017: £7,797,000) are offset within amounts receivable from group undertakings in the current period.

13 Share capital

	No.	£000
Authorised		
At 29 December 2017 & 28 December 2018		
Ordinary shares of £1 each	100,000	100

14 Reserves

	Cash flow hedge £000	*Retained earnings £000*	*Total equity £000*
Balance at 30 December 2016	1,328	87,280	88,608
Profit for the period	-	18,158	18,158
Cash flow hedges - loss arising in the period	(2,205)	-	(2,205)
Tax on cash flow hedges recognised directly in equity	424	-	424
Balance at 29 December 2017	(453)	105,438	104,985

	Cash flow hedge £000	*Retained earnings £000*	*Total equity £000*
Balance at 29 December 2017	(453)	105,438	104,985
Profit for the period	-	15,470	15,470
Cash flow hedges - loss arising in the period	(295)	-	(295)
Tax on cash flow hedges recognised directly in equity	18	-	18
Balance at 28 December 2018	(730)	120,908	120,178

The cash flow hedge reserve represents the gains and losses arising on revaluation of derivatives, being forward currency contracts, and the revaluation of hedged monetary assets and liabilities from historical cost to period end spot rate.

NOTES TO THE ACCOUNTS
as at 28 December 2018

15 Trade and other payables

	28 December 2018 £000	*29 December 2017 £000*
Trade payables	121,093	140,760
Other taxation and social security costs	5,269	5,131
Accruals and deferred income	4,841	3,345
Other payables	660	624
	131,863	149,860

Trade payables are presented net where a legally enforceable right of set off exists. Included in the above is an offset of £nil with trade receivables *(note 12)* (2017: £176,000) relating to supplier income.

A legally enforceable right of offset exists with group balances. Prior period accruals include amounts relating to costs incurred on the Company's behalf by its parent company, which were subsequently recharged. To better reflect the nature of these liabilities, amounts owed to parent company of £5,633,000 (2017: £7,797,000) are offset within amounts receivable in the current period.

16 Deferred taxation

Net deferred tax asset/(liability) at the end of the period and prior period as follows:

	28 December 2018 £000	*29 December 2017 £000*
Property, plant & equipment	(199)	(449)
Provisions	129	64
Other	126	108
Net tax asset/(liability)	56	(277)

Movement in net deferred tax (liability)/asset during the period:

	30 December 2017 £000	*Recognised in income £000*	*Recognised in other comprehensive income £000*	*28 December 2018 £000*
Property, plant & equipment	(449)	250	-	(199)
Provisions	64	65	-	129
Other	108	-	18	126
	(277)	315	18	56

16 Deferred taxation *(continued)*

Movement in net deferred tax liability during the prior period:

	30 December 2016 £000	*Recognised in income £000*	*Recognised in other comprehensive income £000*	*29 December 2017 £000*
Property, plant & equipment	(782)	333	-	(449)
Provisions	152	(88)	-	64
Other	(316)	-	424	108
	(946)	245	424	(277)

17 Provisions

Movement in dilapidations provisions during the period	*£000*
At 29 December 2017	5,468
Increase due to unwinding of discount	228
Provided during the period	850
At 28 December 2018	6,546

The dilapidations provision represents provisions for the cost of repairs to leasehold properties at the end of their lease term. The amount provided during the period is accounted for within additions as an increase in the valuation of property, plant and equipment and the impact of this will be recognised as additional depreciation over the lease terms of the sites to which the provision relates.

18 Operating lease arrangements

Future minimum undiscounted lease payments under non-cancellable agreements in respect of land and buildings are as follows:

	28 December 2018 £000	*29 December 2017 £000*
No later than one year	3,215	3,203
Later than one year and no later than five years	6,620	7,833
Later than five years	7,340	9,342
	17,175	20,378

18 Operating lease arrangements *(continued)*

Future minimum undiscounted lease payments under non-cancellable agreements in respect of plant and machinery are as follows:

	28 December 2018	*29 December 2017*
	£000	*£000*
No later than one year	719	489
Later than one year and no later than five years	1,008	233
Later than five years	-	-
	1,727	722

The Company leases various offices and operational facilities, vehicles and equipment under non-cancellable operating lease arrangements. The leases have various terms, escalation clauses and renewal rights, however they commonly include either a market rent review or an index linked rent review. The timing of when rent reviews take place differs for each lease. With the exception of one property lease, they have no purchase options.

19 Retirement benefit schemes – defined contribution schemes

Since 13 October 2009, the Company has participated in the IPL Stakeholder Pension Plan, a defined contribution scheme. From 1 January 2014 the company entered into an auto enrolment scheme in addition to the Stakeholder Pension Plan.

Total contributions to the schemes for the period were £1,423,000 (2017: £1,195,000).

As at 28 December 2018, contributions of £223,000 (2017: £187,000) due in respect of the current reporting period had not been paid over to the schemes.

20 Financial Commitments

At the period end, IPL had entered into forward commitments to purchase foreign currency totalling £20,054,000 (2017: £29,800,000).

21 Parent undertaking and controlling party

The immediate parent undertaking is ASDA Stores Limited, a company incorporated in England and Wales.

The smallest group at which consolidated financial statements are prepared is ASDA Group Limited. Copies of these financial statements are available from the registered office, ASDA House, Southbank, Great Wilson Street, Leeds, LS11 5AD.

In the directors' opinion, the ultimate parent undertaking and controlling party is Walmart, Inc. which is incorporated in the USA. Copies of its consolidated financial statements, which include this company, can be obtained from the Company Secretary, Walmart, Inc., Corporate Offices, 702 SW 8th Street, Bentonville, AR72716, USA.